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USTR FOR AUSTR EEISSENSTAT AND BHARMAN, DEPT FOR WHA/AND,
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SUBJECT: PRESIDENT-ELECT GARCIA WANTS THE US-PERU FTA

REF: LIMA 2292

Classified By: Ambassador J. Curtis Struble. Reasons: 1.4 (B & D)

¶1. (C) Summary: Media reports of President-elect Garcia imply that he wants to "revise" the Free Trade Agreement. In fact, Garcia wants and needs the FTA fully ratified before he takes office July 28. End Summary.

¶2. (SBU) A number of US newspapers have reported remarks by Peruvian President-elect Garcia that appear to call into question his support for the U.S.-Peru Free Trade agreement. Unfortunately, these remarks may cause turbulence in the U.S. Congress as it considers when to take action on the Peru FTA.

The following is our analysis of the situation.

¶3. (C) Garcia's government needs the FTA. His political base is along Peru's coast, which benefits greatly from export-related jobs. Moreover, Garcia's campaign proposal for transformation of poverty-inducing traditional agriculture in the Andes highlands is based on involving those farmers in production of higher-paying export products.

¶4. (C) At the same time, Garcia is taking a Missourian attitude toward the agreement negotiated by the Toledo Administration. The ultimate objective of this is not to call ratification of the FTA into question, but to fix responsibility on the Toledo government for controversial concessions made by Peruvian negotiators.

¶5. (U) Some U.S. news accounts have misinterpreted one of Garcia's statements. He said that he would &review8 (revisar in Spanish) every line of the FTA text; &revisar8 was translated as &revise8 by some reporters.

¶6. (C) APRA (Garcia's party) Congressmen have told the Embassy in private conversations that the FTA will be approved with their support in June by Peru's Congress.

¶7. (U) A number of APRA spokesmen, such as the author of the campaign's Economic proposals, Enrique Cornejo, have publicly called for the FTA approval while saying that additional compensation above that proposed by the Toledo government should be given to adversely-affected producers.

¶8. (C) Comment: Garcia has told us that wants the FTA signed, sealed and delivered before he takes office. This would provide him with the benefit that any fallout could be attributed to the deal that Toledo struck. Garcia also wants to show his people that he has gone through a thorough

process, carefully dissecting the Agreement and making the deal better. He knows he cannot renegotiate the deal. But he can show Peruvians that he has identified the good and the bad, and done something about the bad. He may talk publicly about an addendum, but should settle for internal compensation that will satisfy constituents: perhaps greater subsidies to affected farmers or workers, perhaps extracting from the U.S. more poverty alleviation programs. End Comment

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